

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 PM-05 NSC-05 SP-02 SS-15 CIAE-00
INR-10 NSAE-00 DODE-00 L-03 TRSE-00 EB-08 ACDA-12
/073 W

-----104294 242048Z /70

P R 241833Z MAY 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC PRIORITY 8870
INFO AMEMBASSY BERLIN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION USBERLIN
USMISSION USNATO
USNMR SHAPE
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL FRANKFURT
AMCONSUL HAMBURG
AMCONSUL MUNICH
AMCONSUL STUTTGART

S E C R E T SECTION 01 OF 02 BONN 09558

E.O. 11652: XGDS-1
TAGS: PGOV, PINT, GW
SUBJECT: HELMUT SCHMIDT AND FRG DOMESTIC POLICIES

BEGIN SUMMARY: THE HELMUT SCHMIDT WITH WHOM THE
PRESIDENT AND OTHER SENIOR U.S. FIGURES WILL BE MEETING
NEXT WEEK IN WASHINGTON, AND IN BONN IN JULY, STANDS
OUT AMONG CONTEMPORARY EUROPEAN LEADERS AS A FORCEFUL
MAN IN FULL CONTROL OF THE SITUATION. BUT THERE ARE
LIMITS ON HIS ABILITY TO GOVERN AND TO COMMIT HIS
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GOVERNMENT WHICH ARE IMPORTANT FOR FOREIGN LEADERS TO
PERCEIVE. THIS MESSAGE IS A SNAPSHOT OF THE INTERNAL
POLITICAL TERRAIN IN WHICH SCHMIDT FUNCTIONS AS HEAD
OF GOVERNMENT AND AS INTERNATIONAL STATESMAN. END
SUMMARY.

1. FEW CONTEMPORARY EUROPEAN LEADERS ARE AS SHREWD,

TOUGH, WELL-PREPARED, AND SELF-POSSESSED AS SCHMIDT AT AN INTERNATIONAL MEETING. THERE ARE ALSO FEW AMONG THE DEVELOPED DEMOCRACIES WHICH WOULD NOT WISH TO HAVE SOME OF GERMANY'S ECONOMIC AND POLITICAL STABILITY RUB OFF ON THEM. MANY WOULD GLADLY ACCEPT GERMANY'S ECONOMIC PROBLEMS AS THEIR OWN, AND FOR MANY THE CURRENT IMAGE OF THE "UGLY GERMAN" VACATIONING OR INVESTING ALL AROUND EUROPE IS IN GOOD PART A SIGN OF ENVY.

2. THE PARADOX IS THAT IT LOOKS DIFFERENT, AND FAR LESS SANGUINE, TO MANY IN THE FRG, AND OFTEN TO SCHMIDT HIMSELF AND OTHERS CLOSE TO THE SEAT OF POWER IN BONN. THERE ARE SIGNIFICANT SCHISMS WITHIN SCHMIDT'S OWN SOCIAL DEMOCRATIC PARTY WHICH LIMIT HIS LEEWAY FOR LEADERSHIP ON KEY ISSUES AND WHICH PLACE HIM UNDER PHILOSOPHICAL AND IDEOLOGICAL SURVEILLANCE FROM HIS OWN RANKS. THERE IS TENSION WITH SCHMIDT'S COALITION PARTNERS, THE FREE DEMOCRATS, BASED ON DIFFERENCES WITH THE SPD ON ISSUES (LIKE THE NEUTRON BOMB) AND ON CONCERN WHETHER THE SOCIAL DEMOCRATS ARE UNITED ENOUGH TO KEEP THEIR HOUSE IN ORDER AND ENABLE SCHMIDT TO GOVERN. AND THERE ARE KEY ELECTIONS COMING UP IN JUNE AND OCTOBER WHICH MAKE GENSCHER'S LIBERAL FDP NERVOUS ABOUT ITS FUTURE AS THE FRG'S "SWING PARTY," AND WHICH FEED SPECULATION THAT THE FDP MAY WISH TO SWITCH COALITION PARTNERS IN 1980, OR EVEN BEFORE.

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3. THE OPPOSITION UNION OF CHRISTIAN DEMOCRATS AND CHRISTIAN SOCIALISTS GOT ALMOST 49 PERCENT OF THE VOTES IN THE 1976 ELECTIONS AND WANT TO WIN IN 1980. THEY ARE HIGHLY VISIBLE AND INCREASINGLY AGGRESSIVE. THEIR INTERNAL FEUDING--OFTEN VICIOUS, AS AT THIS POINT--IS NOT TODAY AS REASSURING TO SCHMIDT AND HIS GOVERNMENT AS IT ONCE WAS. THE FEUDING IS ABOUT TACTICS TO DEFEAT SCHMIDT. IT FOCUSES ON ONE SIDE ON THOSE LIKE HELMUT KOHL, WHO WANT TO WOO GENSCHER AND THE LIBERALS TO LEAVE SCHMIDT AND FORM A COALITION WITH THE CDU/CSU. ON THE OTHER SIDE IS FRANZ JOSEF STRAUSS, WHO THREATENS TO RUN THE CSU AS A FOURTH PARTY IN FUTURE EUROPEAN AND NATIONAL ELECTIONS AND THUS EITHER BADLY DAMAGE THE LIBERALS OR SCARE THEM INTO AN ALLIANCE WITH THE OPPOSITION. WHILE THERE IS NO PANIC IN THE COALITION TODAY, NO RESPONSIBLE COALITION POLITICIAN IS TAKING THESE THREATS LIGHTLY.

4. THERE ARE ALSO A HOST OF DOMESTIC ISSUES ON WHICH THE COALITION IS IN TROUBLE, OR CLOSE TO IT. THESE INCLUDE UNEMPLOYMENT, PUBLIC SECTOR FINANCES AND

PENSIONS, AND ECONOMIC GROWTH. INFLATION, WHILE LOW
TODAY, REMAINS A CHARGED ISSUE IN THE FRG. IRONICALLY,
WHAT IS AT WORK HERE POLITICALLY IS NOT HOW BAD THE
SITUATION REALLY IS WITH THESE ISSUES, FOR MOST OF THEM
ARE MILD PROBLEMS BY COMPARISON WITH EUROPEAN NATIONS.
RATHER, IT IS THE SEVERE, PERFECTIONISTIC GERMAN

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STANDARDS WHICH OFTEN MAKE MILD PROBLEMS SEEM ACUTE.
THERE IS ALSO TERRORISM, AN ISSUE ON WHICH SCHMIDT
HIMSELF HAS A STRONG OBJECTIVE RECORD (MOGADISCIO),
WHILE HIS PARTY HAS SHOWN ITSELF UNABLE TO UNITE BEHIND
ANTI-TERRORIST LEGISLATION. A TERRORIST ACT COULD TILT

THE UPCOMING LOCAL ELECTIONS TO THE COALITION'S
DISADVANTAGE.

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5. WHAT EMERGES FROM THIS BACKGROUND--A WEAK FIGURE, A GOVERNMENT ON ITS LAST LEGS? HARDLY. SCHMIDT IS A CHANCELLOR WHO, UNDER SEVERE POLITICAL PRESSURE, SHUFFLED MORE THAN A THIRD OF HIS CABINET THREE MONTHS AGO. THE SHUFFLE WAS MASTERFUL: TODAY, IT IS NEARLY FORGOTTEN. A TOUGH, IDEOLOGICAL PRAGMATIST, SCHMIDT IS ALSO HIGHLY POPULAR AS CHANCELLOR AND, OTHER THINGS BEING EQUAL, MAY WELL BE CHANCELLOR AGAIN AFTER THE 1980 BUNDESTAG ELECTIONS, NOT TO SPEAK OF RIDING OUT THE INTERIM. WHILE IT IS THIS PRAGMATISM WHICH MAKES FOR SNIPING AT SCHMIDT FROM HIS PARTY'S LEFT WING, IT IS A QUALITY WHICH, ALONG WITH THE IMAGE OF A MAN IN CHARGE, APPEALS TO GERMANS WELL BEYOND THE REACHES OF THE SPD. SCHMIDT THUS HAS THE ABILITY TO PULL HIS PARTY UP IN ELECTIONS, AND THUS MAKE HIS PARTY NEED HIM. SEEN EXTERNALLY, SCHMIDT IS AS SUCCESSFUL AND COMMANDING A FIGURE AS ONE CAN FIND IN EUROPE. AT THE SAME TIME, HE LEADS A GOVERNMENT WHICH FACES ITS SHARE OF FISSURES AND PROBLEMS AND WHICH REPRESENTS A MATURE CHANCELLORSHIP COMBINING STABILITY WITH FRAYING AT THE EDGES.

6. WHAT THIS MEANS FOR THE U.S. IS THAT THE FRG REMAINS A EUROPEAN COUNTRY SINGULARLY PREPARED TO COOPERATE WITH US IN OUR GLOBAL POLICIES. AT THE SAME TIME, IT IS A GOVERNMENT THAT MUST CONTINUE TO EXPEND A GOOD PART OF ITS ENERGY ON INTERNAL PROBLEMS. IT WILL THUS BE CAUTIOUS ON QUESTIONS WHICH CAN BE CONTROVERSIAL DOMESTICALLY. THE NEUTRON WEAPON, AND THE POLITICS OF INFLATION IN THE CONTEXT OF INTERNATIONAL MACROECONOMIC DISCUSSIONS, RE TWO CASES IN POINT, AND THE NEED TO BUILD A FAVORABLE DOMESTIC CASE FOR AWACS MAY BE A THIRD. IN ALL, WE CONTINUE TO HAVE A FIRM PARTNER IN THE FRG AND A STRONG LEADER IN SCHMIDT, BUT A GOVERNMENT WHICH MAY OFTEN BE
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, PRESIDENT
Control Number: n/a
Copy: SINGLE
Draft Date: 24 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BONN09558
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Expiration:
Film Number: D780219-0817
Format: TEL
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780526/aaaaavhi.tel
Line Count: 221
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1a70c397-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 31 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2593979
Secure: OPEN
Status: NATIVE
Subject: HELMUT SCHMIDT AND FRG DOMESTIC POLICIES BEGIN SUMMARY: THE HELMUT SCHMIDT WITH WHOM THE PRESIDENT AND OTHER SENIOR U.S. FIGURES WILL BE ME
TAGS: PGOV, PINT, GE, (SCHMIDT, HELMUT)
To: STATE
Type: TE
vdkgvwkey: odbcc://SAS/SAS.dbo.SAS_Docs/1a70c397-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014